

EXHIBIT "C"

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

DAD'S PRODUCTS COMPANY,)
INC.,)
Plaintiff,)
VS.) CIVIL ACTION
SERGEANT'S PET PRODUCTS,) NO.: 03-350-ERIE
INC.,)
Defendant.)

ORAL DEPOSITION OF

ALAN BROWN

August 16, 2005

Volume 1

ORAL DEPOSITION OF ALAN BROWN, produced as

a witness at the instance of the Plaintiff, and duly
sworn, was taken in the above-styled and numbered cause
on the 16th of August, 2005, from 10:12 a.m. to 11:31
a.m., before Michelle L. Varner, CSR in and for the
State of Texas, reported by machine shorthand, at the
offices of Sergeant's Pet Products, 1601 Elm Street,
Suite 300, in the City of Dallas, County of Dallas, and
State of Texas, pursuant to the Federal Rules of Civil
Procedure and the provisions stated on the record or
attached hereto.

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1 I N D E X

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1 P R O C E E D I N G S

2 ALAN BROWN,

3 having been first duly sworn, testified as follows:

4 EXAMINATION

5 BY MR. DEVLIN:

6 Q. Hi, Mr. Brown, my name is Neal Devlin. We
7 met a few minutes ago. I know you sat through
8 Mr. Scharf's deposition. Can I just get you, for the
9 record, to tell me where you are presently employed?

10 A. I am the chairman of Sergeant's Pet Care
11 Products.

12 Q. Okay. How long have you held that position?

13 A. Five years.

14 Q. What was your position prior to that?

15 A. I have been involved in various investments.
16 I have been chairman of several other companies over
17 the last 20 years, all of which were related to
18 private equity investments.

19 Q. Okay. Were you involved in Pet Life Foods?

20 A. I was.

21 Q. Okay. What was your involvement in Pet
22 Life?

23 A. I was on the board of Pet Life and the
24 chairman of Pet Life after we purchased the company in
25 1999.

1 Q. When you say "we," who purchased the company
2 in 1999?

3 A. A group of investors that have made other
4 acquisitions.

5 Q. Okay. Was Mr. Sowell included in that
6 group?

7 A. Yes.

8 Q. Okay. In 1999, when the group of investors
9 purchased Pet Life, was there a majority owner of Pet
10 Life?

11 A. James Sowell was the majority owner.

12 Q. Okay. Were you also involved -- I believe
13 Mr. Scharf testified that Mr. Sowell became the
14 majority shareholder in Sergeant's sometime in 2000?

15 A. Yes, sir, around September of 2000.

16 Q. Okay. Were you involved in that, in the
17 acquisition of Sergeant's with Mr. Sowell?

18 A. Yes.

19 Q. Okay. Once that acquisition in September
20 of 2000 occurred, did you -- is that when you became
21 chairman of Sergeant's?

22 A. Yes.

23 Q. Okay. At that time, did you maintain a
24 position on Pet Life's board?

25 A. I did.

1 Q. Okay. And what was your position at that
2 time on Pet Life's board?

3 A. I was still chairman of the board.

4 Q. And did you remain chairman of Pet Life's
5 board until -- well, through May of 2002?

6 A. It was about that time that I resigned as a
7 director and as chairman.

8 Q. So in -- was it in May of 2002 that you
9 resigned?

10 A. I'd have to go back and see my files. It
11 was around midyear of 2002.

12 Q. Okay. Why did you resign as chairman of Pet
13 Life in midyear 2002?

14 A. Basically, the company was sold, the assets
15 were sold, the patents and trademarks were sold. And
16 really Pet Life became just a very scaled down
17 operating entity for a short period of time.

18 Q. Okay. Between -- let me go back.

19 MR. DEVLIN: Will you mark this as
20 Exhibit 1?

21 MR. WHITE: May I suggest that
22 perhaps it would be better to --

23 MR. DEVLIN: Just number it
24 sequentially?

25 MR. WHITE: Yeah. That way there's

1 no Brown versus Scharf.

2 MR. DEVLIN: Can we do that, then?

3 THE REPORTER: Sure. Do you want
4 the exhibits all bound together in one book then?

5 MR. DEVLIN: That's fine.

6 MR. WHITE: That's fine.

7 (Exhibit No. 14 marked.)

8 Q. (By Mr. Devlin) The court reporter has just
9 marked as Exhibit 14 an agreement entitled Asset
10 Purchase Agreement among Pet Life Foods, Dad's
11 Products Company, Gains Pet Foods Corp., Gains Pet
12 Foods, Mapleleaf Marketing and Chateau Holdings. Are
13 you familiar with this -- this document, this
14 agreement?

15 A. Yes.

16 Q. Okay. And, I mean, just for the record, you
17 signed this agreement as Pet Life Foods chairman; is
18 that correct?

19 A. Yes.

20 Q. Okay. Do you recall what the -- I realize
21 it's a very long agreement, but what the business
22 purpose of this agreement was?

23 A. The business purpose was to allow Pet Life
24 Foods and Dad's to purchase the assets -- and I'm
25 talking about trademarks and so forth. We did not buy

1 much of the machinery or iron. And it would benefit
2 Dad's because they were buying the -- as referred to
3 in here as the dog food business. And Pet Life was
4 buying as referred in here, the pet treat business,
5 which Pet Life was trying to increase its market share
6 in treats and Dad's was trying to increase its market
7 share in the dog food business.

8 Q. Did you understand that as part of the
9 consideration going to Gains, as the seller of the
10 assets you just discussed, that Dad's and Pet Life
11 were -- had royalty obligations to Gains?

12 A. Yes.

13 Q. Okay. I'm going to show you what's
14 previously been marked as Exhibit 13, which is
15 entitled, Supplier and Royalty Agreement. Are you
16 familiar with that document?

17 A. Yes.

18 Q. Okay. If you look at page eight of that
19 document, article three, entitled Royalty Payments.
20 And if you'll go ahead and review article three,
21 subparagraphs A through D, if you don't mind.

22 A. All right.

23 Q. Okay. Did you understand that article to
24 describe the royalty obligations Dad's and Pet Life
25 had to Gains as a result of their purchase of assets

1 from Gains?

2 A. Yes.

3 Q. Okay. Did you understand those obligations
4 to be joint and several as between Dad's and Pet Life?

5 A. Yes.

6 Q. Okay. In addition to the royalty
7 obligations, what other considerations did Pet Life
8 pay to receive the assets at issue in Exhibit 14, the
9 Asset Purchase Agreement?

10 A. We had to agree to take product from the
11 selling company for a period of time, but no longer
12 than, I think, January of 2000.

13 Q. Okay.

14 A. There was some cash and consideration up
15 front. Cash or letter of credit, I've forgotten. But
16 there was some consideration during this period of
17 time.

18 Q. Okay. Subsequent to November 23, 1999, did
19 Pet Life use the trademarks it purchased from Gains?

20 A. Subsequent to the Purchase Agreement of '99?

21 Q. Yeah, after you purchased it.

22 A. Yes.

23 Q. Okay. During that period of time did Pet
24 Life make royalty payments pursuant to the Royalty and
25 Purchase -- the Royalty and Supply Agreement?

1 A. Yes.

2 Q. Okay. What was the process for making those
3 payments? In other words, did Pet Life make them
4 directly to Gains? Did Pet Life make them to Dad's?
5 Or how was that worked out?

6 A. It seems like, for a period of time they
7 were made directly. And then we tried to create the
8 bookkeeping and accounting more efficiently and we
9 started making them to Dad's.

10 Q. Okay. So you believe that for a period of
11 time Pet Life would make a payment directly to Gains
12 and Dad's would make a payment directly to Gains; is
13 that right?

14 A. Yes.

15 Q. And then at some point in time that changed
16 to where Pet --

17 A. Trying to streamline the operations, yes.

18 Q. Okay. And then would Pet Life make a
19 payment to Dad's and Dad's would make one royalty
20 payment to Gains?

21 A. Uh-huh.

22 Q. Okay. What was your understanding as to the
23 apportionment of the royalty payments between Dad's
24 and Pet Life?

25 A. There was a percentage that we were each to

1 make.

2 Q. Okay.

3 A. And if I remember right, the percentage was
4 based on the volume of business that we were buying.
5 And it was 60/40, I believe, but I'm not sure.

6 Q. Okay. I think that's right. Let me show
7 you what's previously been marked as Exhibit 6, which
8 is a Settlement Agreement. That agreement is dated
9 August 1st, 2001. As you can see on page four -- is
10 that your signature that you signed that agreement?

11 A. Yes.

12 Q. Okay. We're going to get back to this
13 agreement with respect to it's effect on Mapleleaf.
14 But paragraph four, on page two of this agreement,
15 discusses a royalty obligation. And if you'll review
16 that.

17 Am I correct that that indicates
18 that there is an apportionment of that royalty
19 obligation between Dad's and Pet Life, being
20 60 percent Pet Life and 40 percent Dad's?

21 A. Yes.

22 Q. Okay. Was it your understanding that was
23 the apportionment as between Dad's and Pet Life before
24 this agreement, as well?

25 A. Yes.

1 Q. Okay. At or around the time that Dad's and
2 Pet Life purchased the trademarks and possibly other
3 assets from Gains, did you understand that an entity
4 named Mapleleaf was created?

5 A. Yes.

6 Q. Okay. What was the purpose of Mapleleaf?

7 A. That was the company that was set up for the
8 express purpose of selling product through both the
9 Dad's and Pet Life entity in order to track the
10 royalty -- to track how much volume was going through
11 to utilize a company called White Cap that was a
12 distributor, that had been involved in selling the
13 product in the United States. So that was the model
14 that I said we tried to create of efficiencies and to
15 pool all of the operations of selling and distributing
16 in the U.S. together.

17 Q. Okay. Did -- Pet Life sold product under
18 the trademarks that it purchased from Gains, correct?

19 A. Yes.

20 Q. Okay. Of that product that it sold, what
21 percentage of that product was sold through Mapleleaf?

22 A. It would just be pure speculation on memory.

23 Q. Okay. And that's fair enough. It would not
24 be a 100 percent, would it?

25 A. It would be a high majority. But I do not

1 think it would be a hundred percent.

2 Q. Okay. Did you understand that Mapleleaf
3 would sell some percentage of the product that would
4 be sold under the trademarks that were purchased from
5 Gains, but that some product sold under those
6 trademarks would also be sold directly from Pet Life
7 or from Dad's?

8 A. Yes.

9 Q. Okay. What was your understanding as to the
10 reason for that?

11 A. Relationship of customers.

12 Q. Okay.

13 A. Who knew the customers, customer continuity.

14 Q. Okay. Who ran Mapleleaf?

15 A. Well, from an accounting point of view,
16 Dad's did.

17 Q. Okay. And why do you say "from an
18 accounting point of view"?

19 A. All of the books and records were kept in
20 and around the Dad's corporate headquarters. They may
21 have been in a separate building but they were all up
22 in Pennsylvania versus Michigan, where Pet Life had
23 its operation.

24 Q. Okay. Did Pet Life have contact with
25 Mapleleaf with respect to the sale of its product?

1 A. Yes.

2 Q. Okay. Did you understand that Pet Life had
3 equal access to Mapleleaf as did Dad's? And by equal
4 access, I'm saying, equal access to the books, equal
5 access with communications to Mapleleaf, that type of
6 thing.

7 A. Yes.

8 Q. Okay. Was Pet Life's use of the trademarks
9 it purchased from Gains profitable for Pet Life?

10 A. Initially, for a short period of time, yes.

11 Q. Okay. How about not initially? I take by
12 that that at some point in time it ceased being
13 profitable?

14 A. Yeah.

15 Q. Okay.

16 A. Do you want to just go into some of the
17 history here?

18 MR. DEVLIN: I'm fine with you doing
19 that.

20 MR. WHITE: Yeah, if you can do it.
21 Personal knowledge.

22 A. Pet Life made a very serious mistake in
23 relying on its existing management to make this
24 acquisition. Existing management, president and the
25 plant manager and so forth, told the board that we

1 could manufacture these treats at our plant in
2 Michigan, efficiently, economically and so forth. But
3 they need a period of time to come up to scale. So
4 that's why we had the supply agreement and we made
5 good money. Pet Life made good money while Gains was
6 producing the product and we were selling it. And
7 when that supply agreement ceased in January of 2000,
8 we immediately saw our profitability go down. And it
9 really never lived up to its potential.

10 And so the business started to fail
11 when the plant never could produce the product that it
12 cost, that had been basically projected by the senior
13 management.

14 Q. Okay. With respect to the trademarks that
15 you purchased from Gains, I believe you indicated that
16 Pet Life was interested in those trademarks related to
17 the pet treats, and that Dad's was related --
18 interested in the trademarks related to the pet food;
19 is that correct?

20 A. Yes.

21 Q. Can you give me -- are those generally terms
22 of art in the pet food industry?

23 A. Yeah. They're called pet food, dog and cat
24 really, versus treats, which has many, many different
25 products. There's natural treats, formulated treats,

1 toy treats, vitamin treats.

2 Q. Okay. Did Pet Life produce any pet foods?

3 A. Very, very little, maybe five or six
4 percent. Our equipment was old. At the time we
5 bought the business we were producing cat food for a
6 particular customer. I think all of the dog food
7 operation had ceased. Pet Life was primarily a
8 biscuit manufacturer.

9 Q. Okay.

10 A. Very, very small amount. I'm going to guess
11 less than five percent, was an extruded product the
12 way you would make cat food or dog food.

13 Q. Okay. I believe we, in talking about the
14 relationship between Mapleleaf and the sale of product
15 under -- what I'm going to refer to as the Gains
16 trademarks, if that's okay, just to make it easier. I
17 think you indicated that Mapleleaf was the entity that
18 sold a portion of the product that was sold under
19 those trademarks and that Pet Life and Dad's also sold
20 a portion under their own name, is that -- or absent
21 Mapleleaf; is that correct?

22 A. Their own sales force, yes.

23 Q. Okay. With respect to the division between
24 foods and treats, was there any arrangement between
25 Pet Life and Dad's, whether that arrangement be

1 directly or through Mapleleaf, that Dad's would
2 produce food orders under those trademarks, whether
3 they came through Pet Life, Mapleleaf, and that Pet
4 Life would produce the treats under those trademarks
5 whether the sales came through either Dad's or
6 Mapleleaf?

7 A. Yeah. And I think it was more in line with
8 existing customers of Gains, not the trademarks.
9 Because you might have had a customer buying treats
10 and dog food. And so Dad's would produce all of the
11 dog food for that Gains customer. And I think in one
12 of the agreements there's a listing of the customers
13 that we were to follow.

14 Q. Okay.

15 A. It did not prohibit Pet Life from continuing
16 in this small cat food category.

17 Q. Okay.

18 A. We could not do it under any trademark we
19 bought from Gains. But Pet Life would sell a Pet Life
20 cat food, if we had already been selling it. So it
21 was a customer restriction as to what company produced
22 what product for that previous Gains customer, i.e.,
23 the customer list that was purchased along with the
24 trademark.

25 Q. Okay. With respect to those customers, does

1 what you just said hold true regardless of whether the
2 customer was sold the product through the Mapleleaf
3 sales force, the Pet Life sales force, or the Dad's
4 sales force?

5 A. That would be the spirit of the agreement.
6 Most of the business would have gone through
7 Mapleleaf. But I know we instructed our people not to
8 venture into and lead people to think that we were
9 selling dog food that should have been Dad's business.

10 Q. Okay. And this may get into some of the
11 intent behind why Mapleleaf was created. But would
12 you agree that one of the underlying intents behind
13 creating Mapleleaf and then dividing the previous
14 Gains customers in that way was based upon established
15 relationships between those customers and either
16 Dad's, Pet Life or the absence of those types of
17 relationships?

18 A. That was the spirit of the agreement.

19 Q. Okay. So in other words, pursuant to the
20 spirit of the agreement, if Pet Life had an
21 established relationship with a customer that was
22 previously a Gains customer, for the trademarks at
23 issue, subsequent to that, Pet Life may be the --
24 maintain that relationship and sell products under
25 those trademarks to that customer; is that right?

1 A. In general, that's right, yes.

2 Q. Okay.

3 A. There might have been an exception or two
4 like there always is. But, you know, there wasn't a
5 lot of issues. Pet Life did not do enough dog food to
6 be a force in the business.

7 Q. Okay.

8 A. And so there really wasn't an issue as to
9 how you divide up the product sales.

10 Q. Okay. Did you understand, though, that if
11 in that situation where Pet Life would be the primary
12 sales contact with the customer, if the customer
13 placed orders for pet food under the trademarks that
14 had been purchased, that Pet Life would produce --
15 sell that food to the customer but that Dad's would
16 have been the producer of that food?

17 A. I'm not sure that Pet Life would have sold
18 it. I think it would have gone through a Mapleleaf
19 invoice.

20 Q. Okay. And now, looking at it from the other
21 perspective. Any customer that Dad's had an
22 established relationship with at the time of the 1999
23 purchase from Gains, some of those customers would
24 have remained Dad's customers as opposed to becoming
25 Mapleleaf customers; is that fair?

1 A. If that customer wasn't on the customer list
2 that was purchased.

3 Q. Okay.

4 A. You had some customers that Dad's might have
5 been doing business with for years, and they were also
6 a customer of Gains, and they ended up on the customer
7 list that we purchased. And then we had to talk about
8 those exceptions.

9 Q. Okay. In talking about those exceptions,
10 was there -- obviously, discussions -- but was there
11 -- would Pet Life and Dad's have come to an agreement
12 as to whether Mapleleaf or Dad's would service that
13 customer?

14 A. Yes.

15 Q. Okay. If the agreement was struck such that
16 Dad's was servicing that customer, did you understand
17 that the orders Dad's would take, it would produce the
18 food products, but that Pet Life would produce the
19 treat products?

20 A. Yes. With the qualification, I really
21 wasn't involved day-to-day in working on those
22 details.

23 Q. Okay.

24 A. The president of Pet Life or the president
25 of Dad's was involved in making sure the sales forces

1 didn't get too aggressive, that the company wasn't
2 selling the other company's product and, you know,
3 trying to keep everything above board.

4 And I kept getting the reports back
5 that things were progressing on a friendly, cordial
6 basis.

7 Q. Okay. Who was the president of Pet Life at
8 that time?

9 A. Initially, it was a man named Bud Sloup,
10 S-l-o-u-p.

11 Q. Okay. How about after Mr. Sloup?

12 A. After a period of time, there was a
13 gentleman hired, Mr. Atherly.

14 Q. Okay. Are you aware if Pet Life -- you had
15 previously discussed, with respect to the customer
16 list, if there had been a customer that had been both
17 a Gains customer and a Dad's customer such that the
18 customer showed up on the customer list that was
19 purchased, there would be discussions as to whether
20 Dad's would service that customer or Mapleleaf would
21 service that customer; is that right?

22 A. Yes, and vice versa for Pet Life.

23 Q. Okay. That was my next question. There
24 were customers that Pet Life had previously had a
25 relationship with that showed up on the customer list

1 that you referred to?

2 A. Yes.

3 Q. Okay. And the same discussion would have
4 occurred whether Pet Life would had maintained a
5 relationship with that customer or whether the
6 customer would be shifted to Mapleleaf?

7 A. Yes.

8 Q. Okay. And were some of those customers
9 maintained -- was the relationship maintained between
10 Pet Life and those customers?

11 A. My memories serve me that there were some
12 exceptions that had to be worked out and talked
13 through. That the president of the companies would
14 agree, but then the sales force would each be real
15 protective of giving up their contacts and so forth.

16 Q. Okay.

17 A. And so there had to be a little tit for tat,
18 so to speak.

19 Q. All right. With respect to those types of
20 customers -- and by "those types of customers," I
21 mean, any customer that would have had a previous
22 relationship with either Pet Life or Dad's, and then
23 had maintained that relationship with Pet Life or
24 Dad's. In other words, not have come under the
25 Mapleleaf service. Did Pet Life supply Dad's with

1 treats to service those customers? In other words,
2 would Pet Life produce treats, send them to Dad's, so
3 that Dad's would have them in their stock to be able
4 to provide them to customers who ordered those treats?

5 A. It probably was, in that example, would have
6 been produced quote/unquote for Mapleleaf.

7 Q. Okay.

8 A. Not for Dad's.

9 Q. Okay.

10 A. Because Mapleleaf would have been the
11 account, if you will, of the grocery store or the
12 distributor, not Dad's or Pet Life. We would be
13 producing the treats, sending it to the warehouse,
14 which happened to be in Pennsylvania, not Michigan.
15 Dad's would be producing the pet food, sending it to
16 the warehouse. And that account, Mapleleaf, would
17 have been reselling it on pallets to the customer.
18 The customer didn't want a pallet from Pet Life, a
19 pallet from Dad's and a pallet from Mapleleaf. They
20 wanted one customer number and one pallet to show up
21 to fulfill their order.

22 Q. Okay. And under that -- because of that,
23 because customers wanted to deal with one entity, as
24 you said, one pallet. As we previously discussed,
25 Mapleleaf occasionally was that one entity for a

1 percentage --

2 A. I'd say the majority of the time they were
3 the entity.

4 Q. Okay. With respect to the exceptions for
5 that, when either Dad's or Pet Life was the entity,
6 through whom these sales were going, how is it -- that
7 looking through Pet Life's perspective -- how is it
8 Pet Life would obtain the product from Dad's to sell
9 to that customer?

10 A. Well, theoretically they would send the
11 product to either the Pet Life warehouse or we would
12 work and send it to their warehouse and work out the
13 billing. That was in theory. It didn't happen very
14 often that way.

15 Q. Okay.

16 A. I mean the vast majority of business that
17 was done between Pet Life and Dad's was through
18 Mapleleaf.

19 Q. Okay. Did Pet Life produce product --
20 strike that.

21 When you say, it didn't happen that
22 way. Are you saying from Pet Life's perspective it
23 was rare that you would sell product to one of these
24 exception customers, instead you would go through
25 Mapleleaf?

1 A. No.

2 Q. Do you have any knowledge as to whether it
3 was rare for Dad's? In other words, did Dad's
4 maintain any appreciable number of customers that
5 would have been previous Gains customers but the
6 decision was made that Dad's would maintain the
7 primary sales?

8 A. It wasn't appreciable because that was one
9 of the reasons that it was such a good fit. That
10 Dad's and Pet Life worked together. There was not a
11 large overlap of customers and there was not a large
12 overlap of products. I mean, it was really the old
13 80/20 rule that made it a good fit.

14 Q. Okay. You had indicated that this was a
15 profitable arrangement for Pet Life during the period
16 when Gains was supplying pet treat products; correct?

17 A. Yes.

18 Q. Okay. And after that it was no longer
19 profitable for Pet Life; is that right?

20 A. It became less and less profitable.

21 Q. Okay. And this may be an
22 oversimplification -- but was that due to Pet Life's
23 ability to produce the product on its own?

24 A. It's an oversimplification. Part of it was
25 the inability to produce that. But at the same time,

1 natural gas prices had doubled.

2 Q. Okay.

3 A. Wheat prices had -- I wouldn't say doubled,
4 but were up 50, 60, 70 percent. And so those raw
5 material costs were going up dramatically and we could
6 not get a price increase from the customer because of
7 the competition.

8 Q. Okay. Did those problems that you just
9 identified, did those create any supply problems for
10 Pet Life? In other words, did Pet Life at any time
11 have a problem supplying sufficient product to service
12 customers?

13 A. I'm sure there was always some customer
14 wanting it yesterday, instead of tomorrow. But, by
15 and large, Pet Life went out of its way to make the
16 product, even though we knew we were selling it at a
17 loss, or at margin. We tried not to short ship any
18 customer. That would have damaged the relationship
19 with Mapleleaf and, then, it would have had an overrun
20 effect on Dad's. So Pet Life many, many times
21 produced a product and sold it to Mapleleaf knowing we
22 lost money on that product.

23 Q. Okay. Were you aware of any consistent
24 complaints from Dad's or Mapleleaf of a shortage of
25 pet treat products that were to be produced by Pet

1 Life?

2 A. I would not say a consistent or a
3 persistent. I can remember there was conversations,
4 you know, why can't you blankity-blank get this
5 product up here, and for whatever reason, we couldn't.
6 We replaced our president during this period of time.
7 We tried to find someone that would have greater
8 ability, greater span of control over the plant, that
9 was a very professional, well-trained person, highly
10 educated person brought in as the operations manager.
11 A lot of programs were put in place. A lot of
12 maintenance -- preventative maintenance programs were
13 put in place in order to keep these supply issues to a
14 minimum.

15 Q. Okay. Looking at Exhibit 6, the Settlement
16 Agreement. We had previously discussed paragraph four
17 of that agreement dealing with royalty obligations.
18 What was your understanding of the business purpose of
19 Settlement Agreement?

20 A. Well, during this period, I guess, until
21 December '02, Pet Life committed not to directly or
22 indirectly be in the business of quote/unquote variety
23 mix, which is a kibble-type product. Really the dog
24 food that we talked about was the majority of that
25 product. And Dad's agreed not directly or indirectly

1 to be in the private label, soft treats business.

2 There was quite a bit of conversation on whether jerky
3 would fall into the treat category. And Dad's was
4 very insistent that jerky not be included in the
5 injected molded treats.

6 Q. Okay. Those items that you just referred
7 to, is that generally described in paragraph six,
8 which is entitled, Restrictive Covenant, dealing with
9 those market areas that Dad's was not to compete in
10 and those that Pet Life was not to compete in; is that
11 correct?

12 A. Uh-huh.

13 Q. Okay. Did you also understand that the
14 Settlement Agreement was intended to effectuate the
15 winding down and termination of Mapleleaf?

16 A. Yes.

17 Q. Okay. From Pet Life's perspective, why was
18 it that it wanted to wind down and terminate
19 Mapleleaf?

20 A. I think the bigger why was that Dad's wanted
21 to.

22 Q. Okay.

23 A. They had grown unhappy with the arrangement.
24 There had been management turnover at Pet Life. They
25 didn't feel like Pet Life was -- this is an assumption

1 on my part. They didn't feel that Pet Life was doing
2 what they should have done under the various
3 agreements with Dad's. And they just -- the whole
4 attitude of the Dad's management was changing.

5 Q. The attitude with respect to Mapleleaf?

6 A. With respect to Mapleleaf, yes.

7 Q. Okay. Did Pet Life want to wind down
8 Mapleleaf?

9 A. Well, we would have liked to have had some
10 amendments. We felt like we were paying the
11 distributor, White Cap, too much money for what they
12 were doing. They were not keeping their customers.
13 They were losing customers, sales weren't growing. So
14 if we could have had some amendments and made it a
15 little more -- a unified company, where it wasn't
16 everybody pointing fingers at who did what, who didn't
17 do what, Pet Life would have liked to have stayed in
18 some of the agreements. We also got the sense that
19 Dad's was wanting to compete in the treat business.

20 Q. Okay.

21 A. They had told us about the injected molded
22 treats. They were trying to buy a business that was
23 in this. But we felt like they were really wanting to
24 get the treat business, and the agreements that were
25 with Mapleleaf would not allow them to do that.

1 Q. Okay. Was it your understanding that
2 pursuant to the restrictive covenant, then, that would
3 have precluded Dad's from getting into the treat
4 business?

5 A. Yes.

6 Q. Okay. Do you believe that Dad's at any time
7 breached its obligations under their restrictive
8 covenant?

9 A. They walked a very tight line.

10 Q. Why do you say that?

11 A. We know that they had salesmen go to Pet
12 Life customers and start, I would say, preselling,
13 advertise the fact that they were going to be in the
14 treat business. I cannot prove that they ever
15 manufactured anything outside of the agreement and
16 sold it. But they didn't wait until December 31st,
17 '02 to start telling Pet Life customers that they were
18 going to be selling treats directly in the future.

19 Q. Okay. Do you know if prior to December 31,
20 '02 they ever manufactured, distributed or otherwise
21 provided treats to any customers?

22 A. Pet Life salespeople told me that they did,
23 but I have no proof of that.

24 Q. Okay. Do you know which customers?

25 A. Some of the larger, what we call, pet store

1 customers. Like a PetSmart, Petco, a mass
2 merchandiser like Wal-Mart. It wasn't just one, it
3 was several. And here again, this is our salespeople
4 telling management and then they had several examples.
5 So I would -- you had to feel like there's some reason
6 to believe it. It wasn't just one time that I heard
7 this complaint.

8 Q. Okay. When you say "several examples," do
9 you mean -- by that, do you mean, several examples in
10 some of the stores that you've indicated? Are those
11 the examples?

12 A. Yes. It wouldn't be stores, it would be the
13 purchasing manager in corporate headquarters for these
14 accounts.

15 Q. Okay. You indicated Petco, PetSmart?

16 A. I was using those as examples.

17 Q. Okay.

18 A. It was larger companies where a significant
19 impact could be made if they got the accounts -- got
20 the business.

21 Q. Okay. During that -- during the period of
22 time referenced under the restrictive portion of the
23 settlement agreement, did Pet Life lose any of those
24 types of larger companies that had previously been
25 clients?

1 A. I don't remember losing any. I just
2 remember the salespeople saying how it was hard to
3 keep the bids with Dad's in there whispering in their
4 ear, talking about what they are going to be doing in
5 early '03. If they had suppliers that had trouble
6 delivering those product, don't worry, we'll be right
7 around the corner.

8 Q. Okay.

9 A. I never had direct conversations with a
10 store. But several salespeople that handled different
11 stores were reporting this back to me.

12 Q. Okay. Do you remember the names of any of
13 those salespeople?

14 A. David Sparks who handled PetSmart.

15 Q. Okay. Can you spell that for me?

16 A. P-e-t-s-m-a-r-t.

17 Q. Okay. I wasn't sure if it was mart or mark.

18 A. Yes.

19 Q. Okay. Them, I've heard of. David Sparks,
20 anyone else that you can think of?

21 A. I think Grant Atkins.

22 Q. Was Grant Atkins related to any -- or did he
23 go to any specific customer?

24 A. I can't think of the particular customer.
25 He was involved in product management, product

1 development.

2 Q. Okay.

3 A. And we keep hearing that Dad's was ready to
4 bring out products that would compete with Pet Life as
5 soon as the Supply Agreement -- excuse me -- as soon
6 as the Settlement Agreement was over.

7 Q. Okay. Were you aware if Dad's supplied pet
8 food to any of the larger companies that you had
9 discussed that you thought they were, as you said,
10 preselling treats to?

11 A. Dad's had a lot of the accounts. Dad's was
12 a very large, well-known, private brand supplier.
13 They specialized in this variety mix, this kibble-type
14 product. They were very competitive in that product.
15 I can't tell you for a fact which account they sold
16 to. They just had a large market share, not just in
17 the northeast, but really to other accounts across the
18 country.

19 Q. Okay. At any time, either shortly before
20 the Settlement Agreement or after, did Pet Life have
21 any plans of entering into the food market?

22 A. None. Didn't have the equipment, didn't
23 have the management, know how. It was never our
24 intent.

25 Q. Okay. The Settlement Agreement, which is

1 Exhibit 6, was executed August 1st, 2001; is that
2 correct?

3 A. Yes.

4 Q. Okay. And if you look at Exhibit 4, which
5 is the Trademark, License and Transfer Agreement.

6 THE WITNESS: Let me get to it here.
7 I've got it right here.

8 Q. (By Mr. Devlin) That was executed
9 September 1st, 2001, correct?

10 A. Yes.

11 Q. Okay. So that, obviously, that's a month
12 after the Settlement Agreement was executed, correct?

13 A. Yes.

14 Q. Okay. At the time the Trademark, License
15 and Transfer Agreement was executed, you were chairman
16 of Pet Life; is that correct?

17 A. Yes.

18 Q. Okay. And were you also chairman of
19 Sergeant's?

20 A. Yes.

21 Q. Okay. Can you tell me the purpose of the
22 Trademark, License and Transfer Agreement?

23 A. Sergeant's was purchasing certain trademarks
24 that related, I would think, totally to the treat
25 business.

1 Q. Okay.

2 A. And they paid cash and assumed certainly
3 liabilities.

4 Q. Okay. Why was it that Pet Life -- strike
5 that.

6 Did Pet Life want to sell the
7 trademarks at issue in the Trademark, License and
8 Transfer Agreement to Sergeant's?

9 A. Pet Life wanted to sell it to anyone that
10 would come in and offer it. And they had very little
11 time to go out to the marketplace and solicit buyers.
12 They were in desperate need of cash. They were under
13 pressure from their bank, breach of covenants. And
14 they desperately needed someone that could see the
15 value of these trademarks to come in and try to make a
16 deal with them.

17 Q. Okay. So Pet Life -- if you remember, when
18 did Pet Life make the decision that it was interested
19 in selling these trademarks?

20 A. After Pet Life started manufacturing these
21 treats, they went through management change, they went
22 through raw material supply, cost issues. They
23 realized that they had to retool their business in
24 order to survive as a company. And they were better
25 off to try to create a company that was in the biscuit

1 business and not in the formulated treat business.

2 Q. Okay.

3 A. That took a period of time, you know,
4 several weeks and months, not just one day.

5 Q. Okay.

6 A. I can't tell you the -- the exact day that
7 it was decided that's the best way to go. But it was
8 an ongoing, what are we going to do to keep the
9 business healthy?

10 Q. Okay. Did Pet Life market the trademarks to
11 any entity, other than Sergeant's?

12 A. Not aware of any. We did tell the bank what
13 we were contemplating, to get their ideas. Sometimes
14 banks will have names of people that you can sell
15 assets to. They certainly had to approve the sale.
16 They were the, in my mind, the protector of arm's
17 length here. Because I was in a tenuous spot being
18 the chairman of both companies. And I wanted to make
19 sure that one company wasn't getting the upper hand
20 over the other. And I felt like LaSalle Bank -- it's
21 owned by Ambro, one of the largest banks in the
22 world -- I felt like they were very capable, very
23 experienced bankers and they would not let a
24 transaction be completed to the detriment of their
25 customer. So we kept LaSalle informed and our

1 attorney, really, handled all of the negotiations
2 between Sergeant's and the bank.

3 Q. Okay. Is that how the negotiations
4 generally went, that LaSalle -- well, did you
5 understand that LaSalle, to an extent, represented Pet
6 Life's interest in the negotiations with Sergeant's?

7 A. I don't know if you could say legally
8 represented because they weren't on the board or a
9 shareholder. But they had all of the assets under
10 mortgage and millions of dollars in debt and breach of
11 covenants. So they had to approve any sale of an
12 asset.

13 Q. Okay. From Sergeant's perspective, why did
14 Sergeant's want to buy the trademarks?

15 A. Sergeant's is a company over a hundred years
16 old that has a definite brand identity and marketplace
17 for it's flea and tick products. We have got dog
18 collars and drops that kills fleas and ticks and so
19 forth. And they were trying to become a broader based
20 pet care product company. They were already in
21 rawhide and natural treats, they were in toys. And it
22 was a planned market niche that they were wanting to
23 get in, and had studied that, and were familiar with
24 what formulated treat markets were, and they thought
25 it would be a good addition to their company.

1 Q. Okay. You had previously indicated that
2 there was a change in ownership in Sergeant's around
3 September of 2000; is that correct?

4 A. Yes.

5 Q. The business model that you just laid out
6 for Sergeant's, is that a model that existed prior to
7 that change in ownership?

8 A. Not that I'm aware of.

9 Q. Okay.

10 A. What I'm aware of is that the former owner
11 was going to skinny-down many of the products that
12 Sergeant's had and just be a natural treat company.

13 Q. Okay. And then, upon the change in
14 ownership, to where Mr. Sowell was now the majority
15 shareholder, is that when the expansion of -- the
16 planned expansion of Sergeant's presence in different
17 markets came out?

18 A. Yes. It was over -- immediately following
19 that acquisition, we put together a different
20 long-term strategy for Sergeant's.

21 Q. Okay. And as part of that strategy
22 Sergeant's purchased the trademarks from Pet Life?

23 A. It wasn't -- it wasn't, you know, the next
24 month, but it was --

25 Q. Sure.

1 A. And we had talked to other companies about
2 buying their treat business. And so Sergeant's was
3 educated in the treat business and was really, from a
4 management point of view, willing to take on that
5 business and pay fair market price for that business.
6 It wasn't just an, Oh, we think we want to be in that
7 business. They had been looking for a year.

8 Q. Okay. And as the consideration that
9 Sergeant's paid for the trademarks, did you understand
10 the consideration was in two parts, an initial payment
11 of \$600,000, and then also the assumption of certain
12 obligations to Gains and then to the brokers, White
13 Cap, Schulman and Kofsky?

14 A. Yes.

15 Q. Okay. What was -- let me ask this question.
16 Prior to the Trademark, License and Transfer
17 Agreement, had Pet Life been making its share of the
18 royalty payments to Gains that it was obligated to
19 make under the 1999 agreement?

20 A. I believe so, yes.

21 Q. Okay. After the execution of the Trademark,
22 License and Transfer Agreement, did Pet Life continue
23 to make any payments pursuant to those royalty
24 obligations?

25 A. I think Sergeant's assumed those

1 obligations.

2 Q. Okay. Did Pet Life notify Gains of the
3 assumption of those obligations?

4 A. I don't have personal knowledge that they
5 did or didn't.

6 Q. Okay. With respect to Dad's, did Sergeant's
7 notify Dad's?

8 A. I don't -- I can't tell you for sure one way
9 or the other.

10 Q. Okay. Do you know if -- let me ask this
11 question. Did Pet Life notify -- I may have misspoken
12 on that last question, I apologize.

13 Did Pet Life notify Dad's?

14 A. I'm not aware of it.

15 Q. Okay.

16 MR. DEVLIN: Can we take a break for
17 two minutes? Is that okay?

18 THE WITNESS: You bet.

19 MR. WHITE: Sure.

20 (Break taken from 11:02 a.m. to
21 11:11 a.m.)

22 Q. (By Mr. Devlin) Okay. When we finished, I
23 believe, I was asking you some questions about whether
24 Pet Life and Sergeant's had notified Gains or Dad's of
25 the transfer of the trademarks and the assumption of

1 the obligations. And just to make sure that I hit the
2 right names, did Pet Life notify either Dad's or Gains
3 of the transfer of the trademarks to Sergeant's?

4 A. I personally don't know.

5 Q. Okay. And is that the same answer for the
6 assumption of obligations?

7 A. Yes.

8 Q. Okay. Was Pet Life aware at or around
9 August of 2001, when the Mapleleaf Settlement
10 Agreement was executed, that it would be selling the
11 trademarks it had -- that it had obtained from Gains?

12 A. Was Pet Life aware?

13 Q. Uh-huh.

14 A. Pet Life was in negotiations and discussions
15 with the bank selling, really, any asset that would
16 help keep the company's cash -- cash, meaning payroll
17 and so forth. So I'm sure that the trademarks had
18 been talked about. I can't tell you just -- that was
19 the only discussion. I think the discussions were
20 much broader than just, Are we going to sell the
21 trademarks or not?

22 Q. Okay. During the negotiations and
23 discussions that Pet Life had with Dad's regarding the
24 restrictive covenant and the settlement agreement and
25 the winding down of Mapleleaf, do you know, did Pet

1 Life ever let Dad's know that it was a possibility
2 that the trademarks would be transferred to another
3 entity and be sold?

4 A. I don't know that we ever told Dad's.

5 Q. Okay. During the wind down of Mapleleaf, do
6 you know that in the -- well, let me ask the back up
7 question. Were there discussions between Pet Life and
8 Dad's during the wind down of Mapleleaf, specifically,
9 with respect to determining where the Mapleleaf
10 customers were going to go?

11 A. Yeah. That -- those type of discussions
12 started before August and were really initiated
13 outside of the realm of, is Pet Life going to sell
14 assets. Pet Life became pretty discouraged with the
15 Mapleleaf arrangement not long after it started,
16 because we admitted we didn't have the personnel and
17 accounting and so forth to handle the Mapleleaf
18 operation, didn't have the warehouse. Dad's said, Oh,
19 we have all of it. We'll volunteer. We just heard
20 how they were trying to help us -- help Pet Life. We
21 soon found out that who has the cash is king. All of
22 the money would go up there and we couldn't get our
23 money for Pet Life, we couldn't get bills paid, they
24 were offsetting credits quote/unquote screw ups of Pet
25 Life. We have didn't like the arrangement, after a

1 short period of time, because we felt like Dad's was
2 taking advantage of Pet Life through the Mapleleaf
3 arrangement and through their ability to hold the
4 checkbook, so to speak.

5 Q. Okay.

6 A. So we had already started talking to them
7 about, Gee, this isn't fair. We can't get any
8 response. You know, Where's all of this help you said
9 you had?

10 So those discussions had already
11 started and were overriding a lot of other issues with
12 Dad's and Pet Life. You had the salespeople saying,
13 you know, White Cap wasn't doing their job, we ought
14 to take them over. Just a lot of issues. When
15 something is not going right, you know, the finger
16 starts being pointed and then all of a sudden a
17 different finger gets pointed and things fall apart.

18 Q. Okay. I believe you had indicated, though,
19 that at -- around the time of the Settlement
20 Agreement, the August 1st Settlement Agreement, that
21 Pet Life -- had it been Pet Life's sole decision,
22 would have wanted to proceed and continued proceeding
23 with Mapleleaf with some changes; is that right?

24 A. With changes in amendments, yes.

25 Q. Okay. All right. With respect to the

1 discussions about -- for lack of a better word --
2 divvying up or dealing with the Mapleleaf customers,
3 whether those discussions occurred before or after the
4 settlement agreement. At any time did those
5 discussions include that Sergeant's was now the owner
6 of those trademarks?

7 A. I can't remember that discussion, no.

8 Q. Okay. I believe you also had testified that
9 after selling the trademarks to Sergeant's, Pet Life
10 was -- Pet Life held the position that Sergeant's had
11 now assumed the obligations to make the royalty
12 payments to Gains; is that right?

13 A. Yes.

14 Q. Okay. Did Pet Life ever determine whether
15 Sergeant's had actually made those payments?

16 A. I am not aware of what effort took place.
17 Pet Life underwent another series of management
18 changes. The gentleman I just mentioned, Mr. Atherly,
19 left and we hired another person. And so there was
20 quite a bit of turmoil at Pet Life by this point in
21 time. The name Sergeant's wasn't a secret to Dad's.
22 We didn't try to keep the secret that investors,
23 myself, Jim Sowell and others, bought Sergeant's. I
24 mean, you could ask the Dad's management, did you ever
25 -- were you ever told that Jim Sowell and his group

1 bought Sergeant's. And I think they'd say, yes. I
2 mean, it wasn't a secret.

3 Q. Okay. Did you understand that Sergeant's
4 assumption of the obligations to pay the royalty
5 obligations, to pay Gains or the brokers, was capped
6 at \$270,000 for Gains and \$50,000 for the brokers?

7 A. Yes.

8 Q. Okay. Did you also understand that the
9 settlement and royalty agreement -- or the supply and
10 royalty agreement that created those obligations
11 provided for royalty payments that could exceed that
12 amount?

13 A. The original agreement stated that, yes.

14 Q. Okay. Do you know if Pet Life ever inquired
15 to see if it would be obligated to make any payments
16 that were in excess of the \$270,000?

17 A. I don't know.

18 Q. Okay. Subsequent to selling the trademarks
19 to Sergeant's, did Pet Life continue to manufacture
20 the pet treat products for Sergeant's?

21 A. For a period of time, yes.

22 Q. Okay. For how long a period of time?

23 A. A short period of time. I'd have to go back
24 and look at the files or documents. But it was more,
25 like, a matter of months, not years.

1 Q. Okay. If we go to Exhibit 8, which is the
2 Notification and Cancellation Agreement. That
3 agreement's dated May 2nd, 2002. Do you know if
4 between September 2001 and May of 2002, for that
5 entire period of time, did Pet Life continue to
6 manufacture product for Sergeant's to be sold under
7 the trademarks that have been sold to Sergeant's?

8 A. I would think a lot of the products, yes.

9 Q. Okay. The Notification and Cancellation
10 Agreement that's Exhibit 8, that agreement was
11 executed at or around the same time a number of other
12 agreements were executed that dealt with the
13 foreclosure and sale of substantial assets of Pet
14 Life; is that correct?

15 A. Yes.

16 Q. Okay. Would it be fair to say that that
17 agreement was executed at or around the time when Pet
18 Life, as you said before, became a much more
19 restricted and much more limited entity? The majority
20 of its assets and business had been either foreclosed
21 upon or sold at that point in time.

22 A. I'm sorry. I lost the train of your
23 question there.

24 Q. It was a bad question.

25 At or around that time, did -- was

1 that -- did Pet Life sell the vast majority of its
2 business to World Pet?

3 A. At and around that time, yes. It was
4 sometime after this, but it was at and around that
5 time. I'd just have to get the date of the agreement
6 for World Pet.

7 Q. Okay. Let's do that.

8 A. The bank, really, was the driving force as
9 far as who was going to buy the vast majority of the
10 assets, the timing, and dollar amount, and so forth.

11 Q. Okay. All right. Let's look at these. You
12 have there Exhibit 8, which is the Notification and
13 Cancellation agreement.

14 A. Yes.

15 Q. Here's Exhibit 10, which is a Foreclosure
16 Agreement.

17 A. Okay.

18 Q. Is that Foreclosure Agreement the agreement
19 that effectuated the transfer of the majority of Pet
20 Life's assets to World Pet?

21 A. It is.

22 Q. Okay. And that agreement occurred the day
23 after the Notification and Cancellation Agreement,
24 correct?

25 A. Yes.

1 Q. Okay. And you had indicated that this
2 Foreclosure Agreement was at the -- you didn't use
3 this word and tell me if it's wrong -- that LaSalle
4 was the entity that was pushing for this foreclosure
5 agreement.

6 A. LaSalle was pushing for a friendly
7 foreclosure to try to get their debt paid.

8 Q. Okay. Pursuant to the Notification and
9 Cancellation Agreement, from Pet Life's perspective,
10 what was your understanding of the purpose of that
11 agreement?

12 A. It set upon the terms which Sergeant's --
13 the method and the amount that would pay LaSalle
14 Business Credit for certain invoices and product that
15 Pet Life had shipped to Sergeant's and so forth.

16 Q. Okay. And in exchange for that, Sergeant's
17 was to be relieved of its obligations to continue to
18 make royalty payments that had been assumed in the
19 September 2001 agreement; is that right?

20 A. That's correct.

21 Q. Okay. The amount of money that Sergeant's
22 was to pay to Pet Life, which is indicated in the
23 Notification and Cancellation Agreement, was that the
24 amount of outstanding invoices that existed between
25 Pet Life and Sergeant's?

1 A. That -- that exercise was put together by
2 the Pet Life people and the \$447,000 here. I think
3 I've seen a 446 number, but yeah, that's -- that's an
4 attempt to say that was the total amount.

5 Q. Okay. So in paragraph three, Pet Life -- of
6 the Notification and Cancellation Agreement, Pet Life
7 is discussing the amount that it is obligated to
8 Sergeant's for; is that right?

9 A. Yes.

10 Q. Okay. In paragraph one of that agreement,
11 that's the paragraph that indicates what Sergeant's is
12 going to pay directly to LaSalle. And that's the
13 \$353,000 number, right?

14 A. Right.

15 Q. Okay. I'm just trying to -- I believe the
16 agreement says that, but I just want to make sure I'm
17 right. That number -- the \$353,000 number, I guess,
18 I'll just read the agreement -- "Which represents the
19 current total of all invoices for products produced by
20 Pet Life and shipped to Sergeant's, for the account of
21 Sergeant's, without deduction." Correct? Is that
22 your understanding of where that number came from?

23 A. Yes.

24 Q. Okay. Was it your understanding that
25 Sergeant's believed they had deductions as to that

1 amount for whatever reason, defective product or
2 something like that?

3 A. I can't tell you that they knew for certain.
4 But you could just guess that all product wasn't 100
5 percent.

6 Q. Okay.

7 A. I mean there was discussions, what about
8 deductions, what about bad product, you know. There
9 was conversation there and the bank was pretty
10 insistent that they wouldn't give Sergeant's much of a
11 open door to come back and claim deductions.

12 Q. Okay.

13 A. But there's -- there's always deductions.

14 Q. Okay.

15 A. And Sergeant's was trying to leave that
16 concept open. But the bank wouldn't stand for it.

17 Q. Okay. All right. So some of that \$353,000
18 number was contested by Sergeant's, but some of it
19 wasn't; is that fair?

20 A. Well, I don't know that we could even
21 legally contest it after you signed this agreement.
22 But we were being told by Sergeant's people that some
23 of this stuff just didn't ever -- be good, it's just
24 common sense.

25 Q. Okay. All right. After this agreement was

1 executed, which purports to relieve Sergeant's of the
2 obligation to make any future royalty payments to
3 Gains or the brokers, was it your understanding that
4 Pet Life now had the obligation to do that again? To
5 make those royalty payments?

6 A. No, that's not my understanding. Because
7 the bank may have stepped in and said, you can't make
8 the payments. I mean, I don't know what was happening
9 between the bank and Pet Life at this point in time.

10 Q. Okay. At this point in time, were you still
11 the chairman of Pet Life?

12 A. I think at the time Pet Life sold its
13 assets, I resigned. So it may have been on this day
14 or a week or two later, all the other directors had
15 resigned by now and I was left, really, just trying to
16 cooperate with the bank. We had indicated all along
17 we'd cooperate with the bank. So they needed a board.
18 They needed an officer to sign the documents. And so
19 I really was just in a perfunctory role at that point
20 in time. I wasn't involved in running the business.
21 The bank had brought in outside consultants to run the
22 business. I was simply there to keep the bank from
23 having to reconstitute a board and taking an
24 unfriendly action in starting over. We saved the bank
25 thousands and thousands of dollars by our cooperation.

1 Q. Okay. Let me just ask this question, did
2 you have any understanding as to what was supposed --
3 what would have been the status of the royalty
4 obligations on Pet Life's obligations that were
5 assumed by Sergeant's in '01 after the execution of
6 this Cancellation and Notification Agreement?

7 A. No.

8 Q. Okay. As of May 2nd, 2002, would Pet Life
9 have been in a financial position to be able to make
10 these payments?

11 A. The bank would have been totally in charge
12 of whether they make the payments or not.

13 Q. Okay. And to your knowledge, as of May 2nd,
14 2002, was the bank's security interest in Pet Life at
15 a point where -- I mean, did it exceed the value of
16 Pet Life?

17 A. In our mind it did.

18 Q. Okay. And shortly after --

19 A. Let me make sure I understood the question.
20 The loan amount exceeded the value of the assets?

21 Q. Correct.

22 A. Yes.

23 Q. So Pet Life in your mind was insolvent at
24 that point?

25 A. Yes.

1 Q. And sometime after May 2nd, 2002, Pet Life
2 did go into bankruptcy; is that correct?

3 A. They went into bankruptcy. I can't tell you
4 what chapter, you know. But, yes, I understand they
5 were put into bankruptcy.

6 Q. Okay. Do you know, after the Notification
7 and Cancellation Agreement, if Pet Life notified Dad's
8 that the obligations that had been assumed by
9 Sergeant's had now been -- that Sergeant's was now
10 relieved of those obligations?

11 A. I do not know.

12 Q. Okay. Do you know if Sergeant's had any
13 conversations with Dad's regarding that issue?

14 A. I do not know.

15 Q. Okay. Do you know, subsequent to this
16 agreement, the Notification and Cancellation
17 Agreement, whether Dad's had any obligation -- whether
18 Dad's had to make any payments on those royalty
19 obligations to Gains?

20 A. Because of this agreement being signed?

21 Q. Or after that agreement?

22 MR. WHITE: Are you saying "had to"
23 or "did"?

24 MR. DEVLIN: I guess, had to.

25 A. Well, I remember the original agreement was

1 jointly and severally. So I would assume they had to.

2 Q. (By Mr. Devlin) Okay.

3 A. Unless there had been another agreement
4 signed between Gains and Chateau and Dad's, which
5 there may have been. I might not have been aware of
6 it.

7 Q. You say the original agreement was joint and
8 several. Did you assume -- or did you understand that
9 when Sergeant's assumed the obligation in the
10 September 2001 Agreement, it was assuming that
11 obligation as a joint and several obligation?

12 A. It was assuming all of Pet Life's
13 obligations, yes.

14 Q. Okay.

15 MR. DEVLIN: That's all of the
16 questions I have.

17 MR. WHITE: Okay. We will sign.

18 (Off the record at 11:31 a.m.)

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